

STAND. COM. REP. NO. 777

Honolulu, Hawaii
February 4, 2013

RE: H.B. No. 799
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2013
State of Hawaii

Sir:

Your Committee on Veterans, Military, & International Affairs, & Culture and the Arts, to which was referred H.B. No. 799 entitled:

"A BILL FOR AN ACT RELATING TO CREATIVE MEDIA DEVELOPMENT,"

begs leave to report as follows:

The purpose of this measure is to improve Hawaii's economy and continue to build the State's local film, television, and digital media industries and encourage their growth by providing enhanced incentives to attract more film, television, and digital media productions to Hawaii. Among other things, this measure:

- (1) Renames the Motion Picture, Digital Media, and Film Production Income Tax Credit to include Television;
- (2) Increases the total amount of tax credits allowed per qualified production under the Motion Picture, Television, Digital Media, and Film Production Income Tax Credit from \$8,000,000 to \$12,000,000;
- (3) Repeals the Internet-only distribution exclusion for advertising contained in the Motion Picture, Television, Digital Media, and Film Production Income Tax Credit;



- (4) Clarifies the definition of "qualified production' costs" to exclude state and county facility and location fees that are not subject to Hawaii general excise tax or State income tax;
- (5) Extends the sunset date for the Motion Picture, Television, Digital Media, and Film Production Income Tax Credit to January 1, 2025; and
- (6) Requires the Department of Taxation to submit an annual report to the Legislature, beginning with the 2014 Regular Session, containing a cost-benefit analysis of the tax credits provided for in this measure.

The Department of Business, Economic Development, and Tourism and Department of Taxation testified in support of this bill. The Tax Foundation of Hawaii provided comments.

Your Committee has amended this bill by:

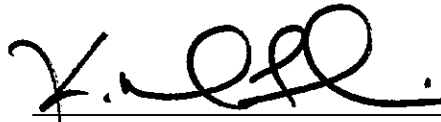
- (1) Changing the increase in the total amount of tax credits allowed per qualified production under the Motion Picture, Television, Digital Media, and Film Production Income Tax Credit to an unspecified amount;
- (2) Requiring the Department of Business, Economic Development, and Tourism rather than the Department of Taxation to submit the annual report to the Legislature containing a cost-benefit analysis of the tax credits;
- (3) Clarifying that the report shall be on the entire Motion Picture, Television, Digital Media, and Film Production Income Tax Credit and not just the tax credits contained in this measure; and
- (4) Making technical, nonsubstantive amendments for clarity, consistency, and style.

Your Committee notes that it is the intent of your Committee that the total amount of tax credits allowed per qualified production under the Motion Picture, Television, Digital Media, and Film Production Income Tax Credit should be increased and respectfully requests that the Committee on Finance look at this matter further to determine the appropriate amount of this increase.



As affirmed by the record of votes of the members of your Committee on Veterans, Military, & International Affairs, & Culture and the Arts that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 799, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 799, H.D. 1, and be referred to the Committee on Economic Development & Business.

Respectfully submitted on
behalf of the members of the
Committee on Veterans,
Military, & International
Affairs, & Culture and the
Arts,


K MARK TAKAI, Chair



